



# Full-year Report 2008

Joakim Olsson  
CEO and President  
February 20, 2009

# Summary 2008

- **Orders received of SEK 7,923m (8,098)**
  - Currency adjusted orders decreased with 3%
- **Sales of SEK 8,403m (7,940)**
  - Currency adjusted sales increased with SEK 505m or 6 %, adjusted for Concentric and currency sales declined with 2%
  - Sales in the fourth quarter was SEK 1,864m (1,955), a decline of 5 %, adjusted for Concentric and currency sales declined with 25%
- **Operating Income of SEK 250m (339), excluding one-off items and amortization of acquisition related surplus values**
  - One-off Items SEK 126m
  - Amortization SEK 31m
- **The earlier communicated cost reduction program has been expanded**
  - Reduction of 1500 employees by mid 2009.
  - The program will generate cost savings of SEK 425m on an annual basis
  - Cost estimated to SEK 150m, whereof SEK 86m posted in 2008. The balance, SEK 64m, will be posted in the first quarter 2009
- **Other one off items**
  - Impairment write downs of assets – SEK 26m
  - Expenses in relation to the sell of the Wire division – SEK 14m

# Summary 2008

- **Strong cash flow generation with SEK 857m (312) generated from operating activities**
  - Working Capital reduction of SEK 576m to SEK 785m
- **Financing secured by renegotiating the USD 250m revolving credit facility**
  - Presently unutilized amount of USD 157m
  - Facility will mature in 2012
- **Haldex signed an agreement to to divest the Garphyttan Wire division**
  - Purchase price SEK 800m on a cash and debt free basis
- **The Board propose that no dividend will be paid for fiscal year 2008**
- **Haldex will not give an outlook for earnings 2009**

# Business Events 2008

- **The demand weakened in all divisions during the second half of 2008**
  - Large sales drop during November and December
  - Many customers shut down the production during 2-5 weeks
  
- **New technologies developed to reduce fuel**
  - Potential fuel savings of between 5 and 10%
  - Variable flow pumps and Varivent
  - Long-term agreement signed with 3 US and several European engine OEMs
  
- **The next generation of Alfdex launched**
  - Euro 6 and EPA10
  - Significantly improved cleaning, handling of larger gas flows and the addition of electric drive
  
- **A new order for Haldex' All Wheel Drive system for one of the world's most exclusive sport cars**
  - SOP 2010

# Business Events 2008

## Land Rover

### Business situation

Gen IV: Awarded 2008, SOP 2011



- New order
- Fuel efficient cross over segment
- Order value estimated to SEK 100 million per year

# Business Events 2008

## Volvo - XC60

**Haldex**

Business situation

Gen IV: Awarded 2007, SOP 2008



Volvo XC60

- A new Volvo model – XC60 – with Haldex AWD system
- Production started in the third quarter of 2008

Volvo Brands/models with Haldex AWD

- Volvo S40 AWD
- Volvo V50 AWD
- Volvo S60 AWD/R
- Volvo V70 AWD/R
- Volvo XC 70
- Volvo S80 AWD
- Volvo XC 90
- Volvo XC 60

# Business Events 2008

GM

Haldex

Gen IV & XWD: Awarded 2006,  
SOP 2008 and 2009

- The first vehicle models on the second GM platform with Haldex AWD and XWD systems
- Production start third quarter of 2008 and 1st half 2009



Buick LaCrosse



Opel Insignia



Cadillac SRX

*"This system sets a new benchmark for all all-wheel drive systems"*

# Business Events 2008

- **Market successes in North America with several manufacturers of axles, special vehicles and trailers selecting Haldex products as standard features for their vehicles**
  - Eg., TRS (Trailer Roll Stability)
- **Launch of ECOtronic EBS System**
  - Joint development with BPW, Europe's largest manufacturer of trailer axels
  - The succes of Haldex new EBS system contiunous
- **Restructuring of Friction Products finalized**
- **Haldex acquired Concentric Plc**
  - Supplier of oil, water and fuel pumps for large and midsize diesel engines
  - Acquisition completed on April 1st
  - Integration proceeding according to plan



## Divestment of Garphyttan Wire

- Signed an agreement with Suzuki Metal regarding the sale of Garphyttan Wire on the 25th of December 2008
- The purchase price amounts to **SEK 800** m on a cash and debt free basis
- The transaction is estimated to be completed during **April to June 2009**
- The divestment decreases Haldex's net debt to SEK 1.535m as per December 31, 2008
- The transaction is estimated to result in a capital gain of SEK 400m
- Focus on segments where the Group can achieve intra-group synergies and sustainable market position based on innovative and leading products, providing a foundation for long-term growth and good profitability
- A more optimized and focused Group structure

# Vehicle Production \* – 2008 vs. 2007



	12 months		4th quarter	
	<i>North America</i>	<i>Europe</i>	<i>North America</i>	<i>Europe</i>
Heavy trucks	-4%	+8%	-5%	-14%
Heavy trailers	-34%	-4%	-39%	-27%
Light vehicles	-16%	-4%	-25%	-24%
Forklifts	-20%	-7%	-45%	-21%
Construction equipment	-9%	-13%	-13%	-25%

- The global market will remain weak through Q1 2009. Large uncertainty still exists regarding market development for 2009 as a whole.
- In 2009, the North American heavy truck market is expected to decline by appr. 25% y-o-y. European production is expected to drop by as much as 30-40% compared to 2008.
- The production of trailers is expected to be down 30% in North America y-o-y. European production is expected to decrease by 40%, in 2009, following a deterioration in market demand during the second half 2008.
- The production of Light vehicles in both North America and in Europe in 2009, is expected to be below 2008, while Asia is expected to be slightly down and South America to be slightly up on 2008.
- For the construction and forklift segments the weak market demand seen in the second half of 2008 is expected to continue during 2009.

\* Based on JD Powers statistics from Q4 2008.

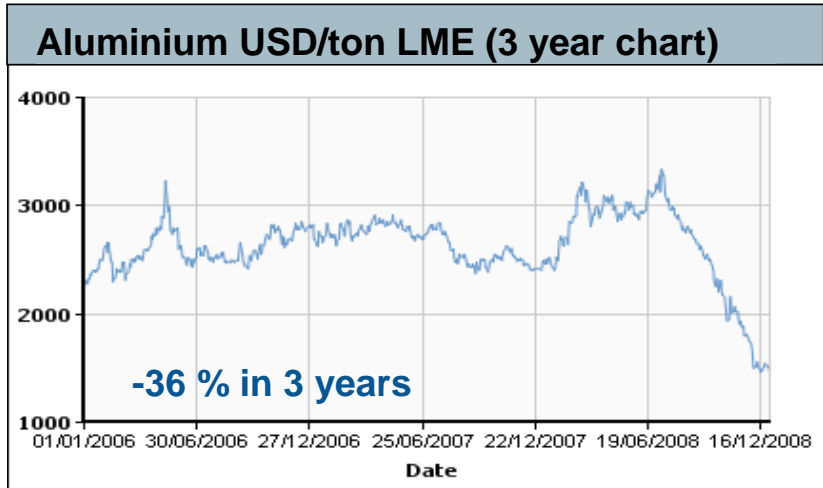
# Cost Reduction Program

## Personnel Reduction

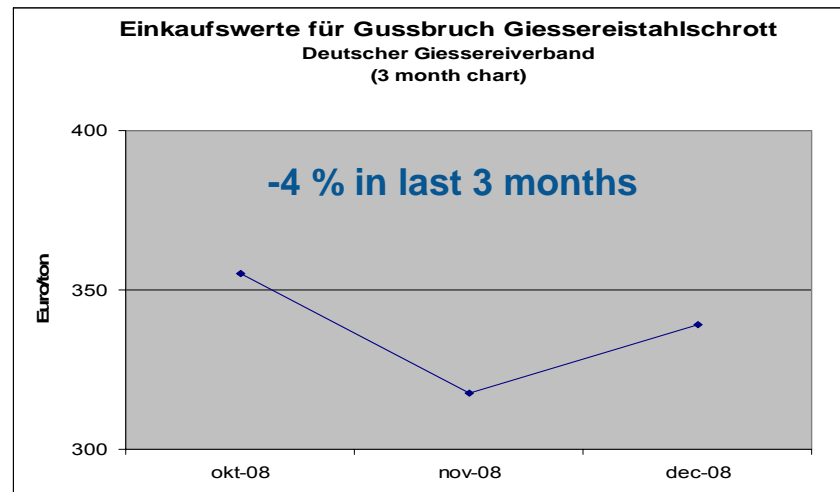
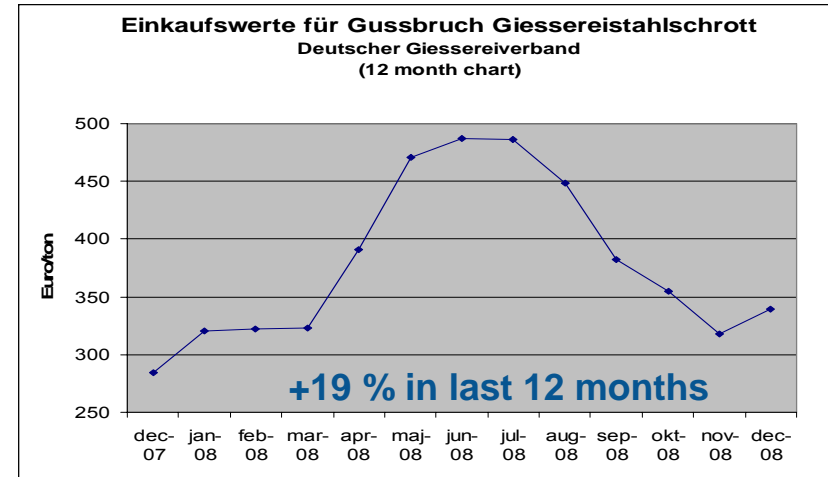
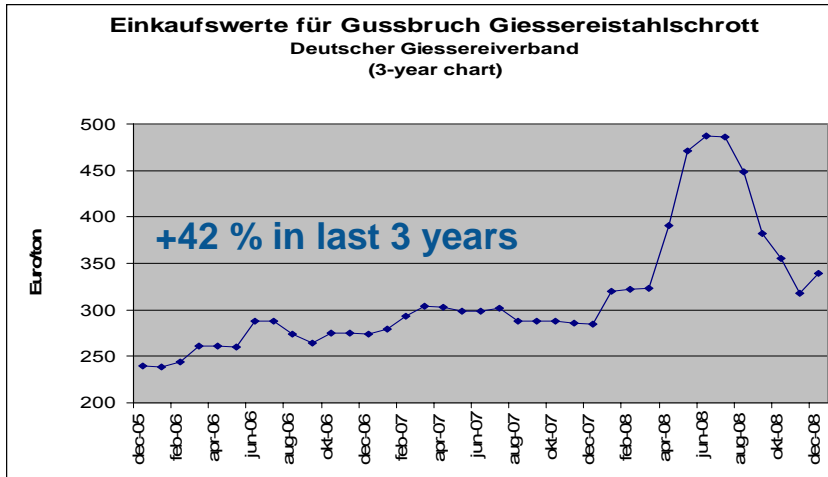
- The cost reduction program launched during Q3 has been expanded
- Adjust the cost structure to current demand
- Increase the efficiency in the production
- Targeted head count reduction with approx. 1500 employees by mid 2009
  - Earlier target 700 employees
- During the second half of 2008 approx. 1000 employees have been reduced
- Structural changes, e.g. closure of a factory in UK
- Total restructuring cost SEK 150m
  - SEK 86m in Q4 2008 and SEK 64m in Q1 2009
- Further adjustments possible depending on market development

**A SEK 425 m Annualised Cost Reduction**

# Aluminum prices have the last months falling back to the lowest level in five years



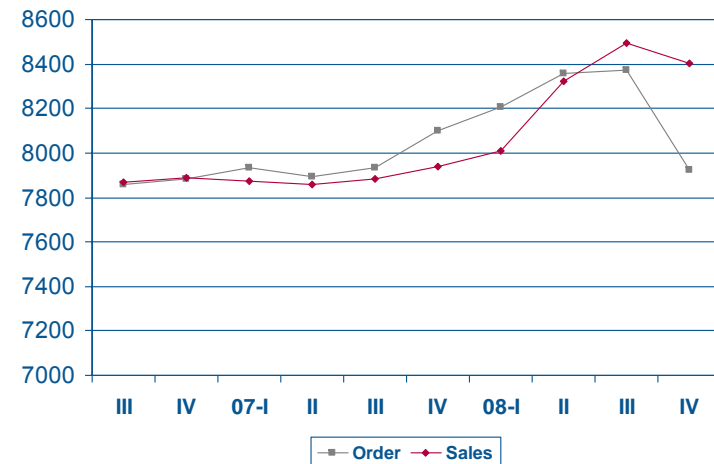
# Cast Iron Scrap, DGV Price trend in Europe



# Actual YTD 2008

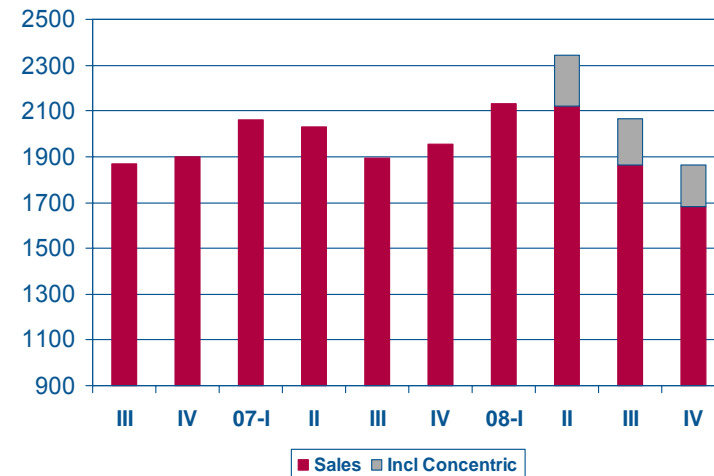
## Order Intake & Sales

SEKm			Nom	Xadj
Order	7,923	(8,098)	-2%	-3%
<i>Adjusted for Concentric</i>			-9%	-10%
Sales	8,403	(7,940)	6%	6%
<i>Adjusted for Concentric</i>			-2%	-2%



## Sales

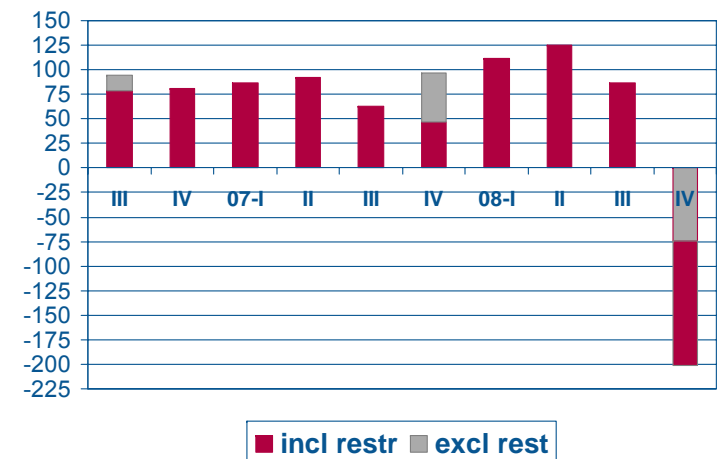
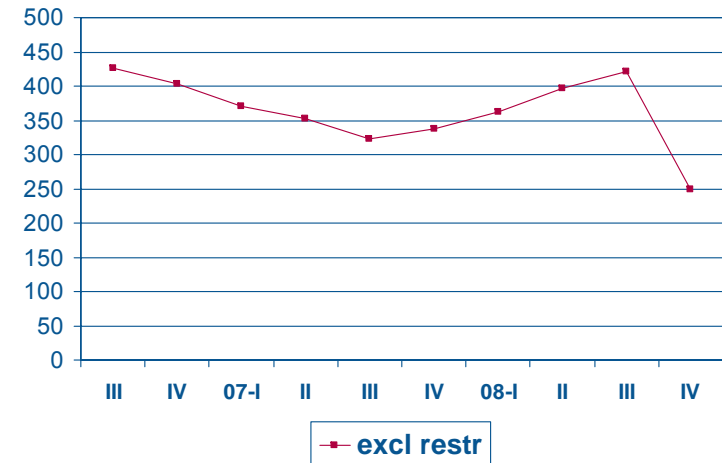
• Commercial Vehicle Systems	4,234	-7%	-6%
• Hydraulic Systems	2,095	43%	46%
• Garphyttan Wire	1,053	-4%	-4%
• Traction Systems	1,021	20%	20%
• EU & ROW	4,704	5%	4%
• NA	3,189	6%	9%
• Asia	510	15%	14%



# Actual YTD 2008

SEKm			
<b>OPERATING PROFIT</b>	<b>250</b>	<b>(339)</b>	<b>-26%</b>
Restructuring & One-off Items	-126	(-50)	
Amortization PPA	-31	(0)	
<b>OPERATING INCOME</b>	<b>92</b>	<b>(289)</b>	<b>-68%</b>

SEKm	2008	2007	Change
• CVS	4	159	-97%
• Hydraulic Systems	146	86	+70%
• Garphyttan Wire	59	45	+31%
• Traction	41	49	-16%



# Development per division - CVS

<i>SEKm</i>	<i>2008</i>	<i>2007</i>	<i>Change</i>
Net sales	4 234	4 529	-7%
Operating income <sup>1</sup>	4	159	-97%
Operating income	-92	109	-184%
Operating margin <sup>1</sup>	0%	3,5%	-3,5
Operating margin	-2,2%	2,4%	-4,6
Return on capital employed <sup>2</sup>	-3,9%	4,9%	-8,8

<sup>1</sup> Excluding restructuring costs

<sup>2</sup> Rolling 12 months

- **Sales declined with SEK 295m compared to 2007**
  - Strong sales growth in Europe and Asia limited the decline in North America during the first half of 2008
  - A very weak demand in Europe during the second half of 2008
  - Fourth quarter sales down 14% YoY and currency adjusted -24% YoY
- **Low sales volumes and high raw material cost had a negative impact on the operating income**
- **Cost reduction Program**
  - Head count reduction, more than 400 employees (-15%) already left
  - Structural changes
  - Closure of production in Redditch, consolidation of the European sales and logistic structure
- **Investment in the Disc Brake**
  - Cost reduction plan is proceeding, cost savings achieved
  - Raw material cost increases (steel), customer price increases not yet fully effective in the period
  - Low volumes during the second half and especially in Q4
  - The negative result impact 2008 was similar to last year (SEK -100m)
- **Restructuring program of Friction Products finalized, YTD loss of appr. SEK 25m**
- **Pricing activities and several cost reductions (personnel reduction and material cost) will compensate some of the effects of the low volumes**



# Development per division - Hydraulics

<i>SEKm</i>	<i>2008</i>	<i>2007</i>	<i>Change</i>
Net sales	2 095	1 467	43%
Operating income <sup>1</sup>	146	86	70%
Operating income	105	86	22%
Operating margin <sup>1</sup>	7,0%	5,8%	1,2
Operating margin	5,0%	5,8%	-0,8
Return on capital employed <sup>2</sup>	8,2%	16,6%	-8,4
Return on capital employed <sup>2,3</sup>	20,4%	16,6%	3,8

<sup>1</sup> Excluding restructuring costs and amortization of acquisition-related surplus values.

<sup>2</sup> Rolling 12 months.

<sup>3</sup> Adjusted for acquisition-related surplus values.

- **Sales amounted to SEK 2,095m (1,467)**
  - Demand strong in Europe during 1st half, weak in the 3rd and 4th quarter
  - 4th quarter sales adjusted for currency and acquisitions was down 21%
- **Operating income SEK 42m and operating margin 5.1% in the third quarter**
  - Successful price recovery for raw materials increases
  - Successful cost reduction compensating parts of the lower volumes
- **Strong actions taken to reduce cost**
  - Head count reduction, almost 500 employees (-20%) left
- **The integration of Concentric is continuing according to plan**
  - Synergies have so far been confirmed
  - Concentric contributed with SEK 82m excluding amortization of acquisition-related surplus values, SEK 31m, and expenses related to the integration

# Development by division

<i>SEKm</i>	<i>2008</i>	<i>2007</i>	<i>Change</i>
<b><i>Garphyttan Wire</i></b>			
Net sales	1,053	1,095	-4%
Operating income <sup>1</sup>	59	45	31%
Operating income	56	45	24%
Operating margin <sup>1</sup>	5.6%	4.1%	1.5
Operating margin	5.3%	4.1%	1.2
Return on capital employed <sup>2</sup>	12.6%	9.9%	2.7
<b><i>Traction Systems</i></b>			
Net sales	1,021	848	20%
Operating income <sup>1</sup>	41	49	-16%
Operating income	38	49	-22%
Operating margin <sup>1</sup>	4.0%	5.8%	-1.8
Operating margin	3.7%	5.8%	-2.1
Return on capital employed <sup>2</sup>	16.9%	21.3%	-4.4

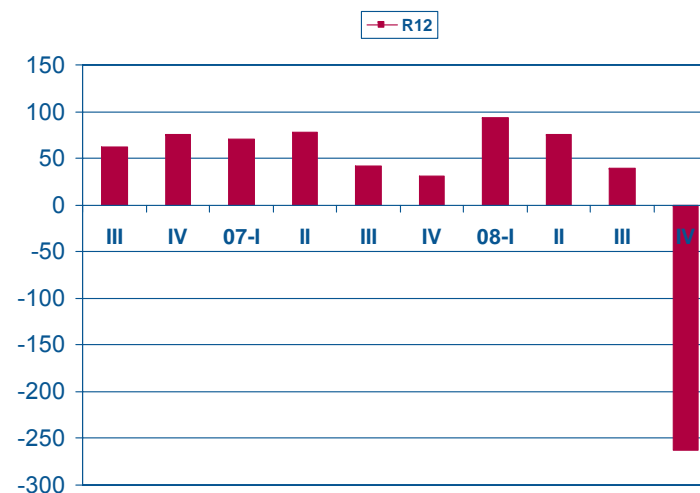
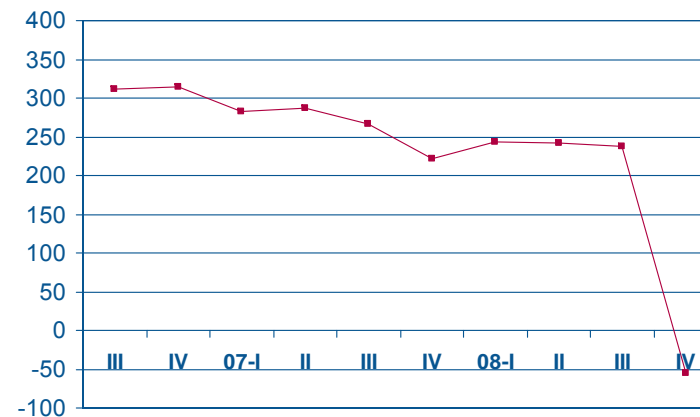
<sup>1</sup> Excluding restructuring costs

<sup>2</sup> Rolling 12 months

# Actual YTD 2008

**SEKm  
INCOME  
BEF TAXES\***                      **-55    (222)    -125%**

- Operating margin %<sup>1</sup>                      3.0    (4.3)
- Capital turnover rate                      2.2    (2.2)
- Return on capital employed %    2.4    (8.3)
- Return on equity %                      -2.3    (7.3)
- Interest coverage, times                      0.7    (3.7)
- Tax rate %                                      29    (37)



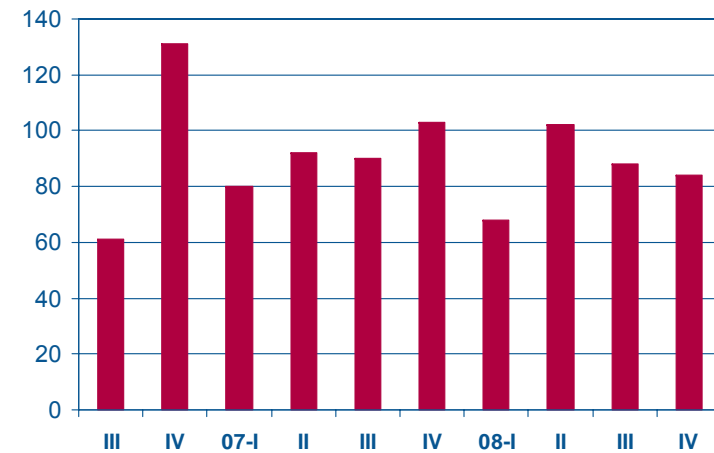
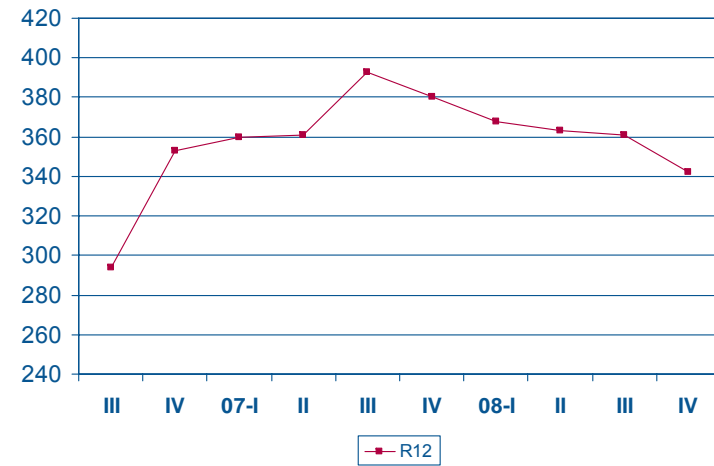
\* Including Restructuring costs of SEK 126m.

1) Excluding Restructuring costs, one-off items and amortization of acquisition-related surplus values.

# Actual YTD 2008

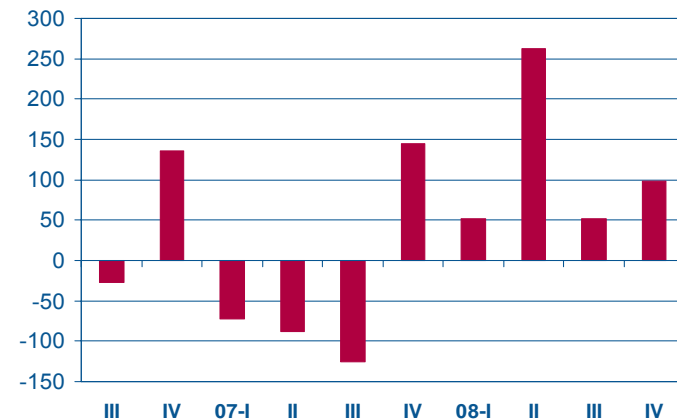
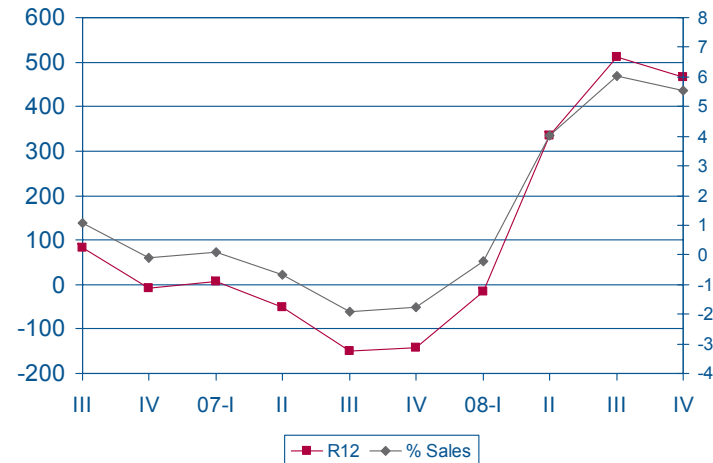
**SEKm  
CAPITAL  
EXPENDITURES  
(Tangible assets)**      **342 (380) -10%**

<i>(SEKm)</i>	<b>2008</b>	<b>2007</b>
Commercial Vehicle Systems	184	176
Hydraulics Division	62	71
Garphyttan Wire	20	19
Traction Systems	51	77
<i>Depreciation</i>	<i>-300</i>	<i>-272</i>



# Actual YTD 2008

SEKm		
<b>CASH FLOW</b>	<b>465</b>	<b>(-141)</b>
	<b>2008</b>	<b>2007</b>
OIBD	484	589
Working capital change	576	-152
Capital expenditure	-392	-453
<b>Operating cash flow</b>	<b>668</b>	<b>-16</b>
Financials	-142	-66
Taxes	-61	-59
<b>Cash flow</b>	<b>465</b>	<b>-141</b>



# Funding as of December 31, 2008

Source	Currency	Nominal amount	Unutilized	Maturity
Syndicated loan facility	USD	250,000,000	~157.000.000	July 2012
Private placement	SEK	100,000,000		May 2009
	SEK	150,000,000		June 2009
	SEK	150,000,000		April 2010
	SEK	200,000,000		December 2011
Bridge Financing	GBP	65,000,000		August 2009
Short term facilities	Local	SEK 250,000,000		

**Syndicated loan facility renegotiated**

**Financing secured**

# Outlook 2009

- **Difficult market conditions – especially in Q1**
- **Cost reduction program (personell reductions) will start to give positive impact during Q2**
- **Raw material prices should give a positive impact**
- **Closing of the Garphyttan divestment in Q2 2009**
- **A more focused and lean company that will be in a better position to generate better results when the market stabilizes**

The Haldex logo is a dark blue rounded rectangle with the word "Haldex" in white, bold, sans-serif font.

Haldex

The background is a blurred, abstract image of a blue sky and a dark blue horizon, suggesting a sunset or sunrise over a body of water or a vast landscape.

Innovative  
Vehicle  
Technology